



GOVERNOR GARY LOCKE'S

2004 Supplemental Budget Overview

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"This supplemental budget opens classroom doors to thousands more college students while targeting other top priorities, from boosting our economy to improving access to rural healthcare."

Gov. Gary Locke
December 18, 2003

✓ **Education**

Creating Prosperity Through Education

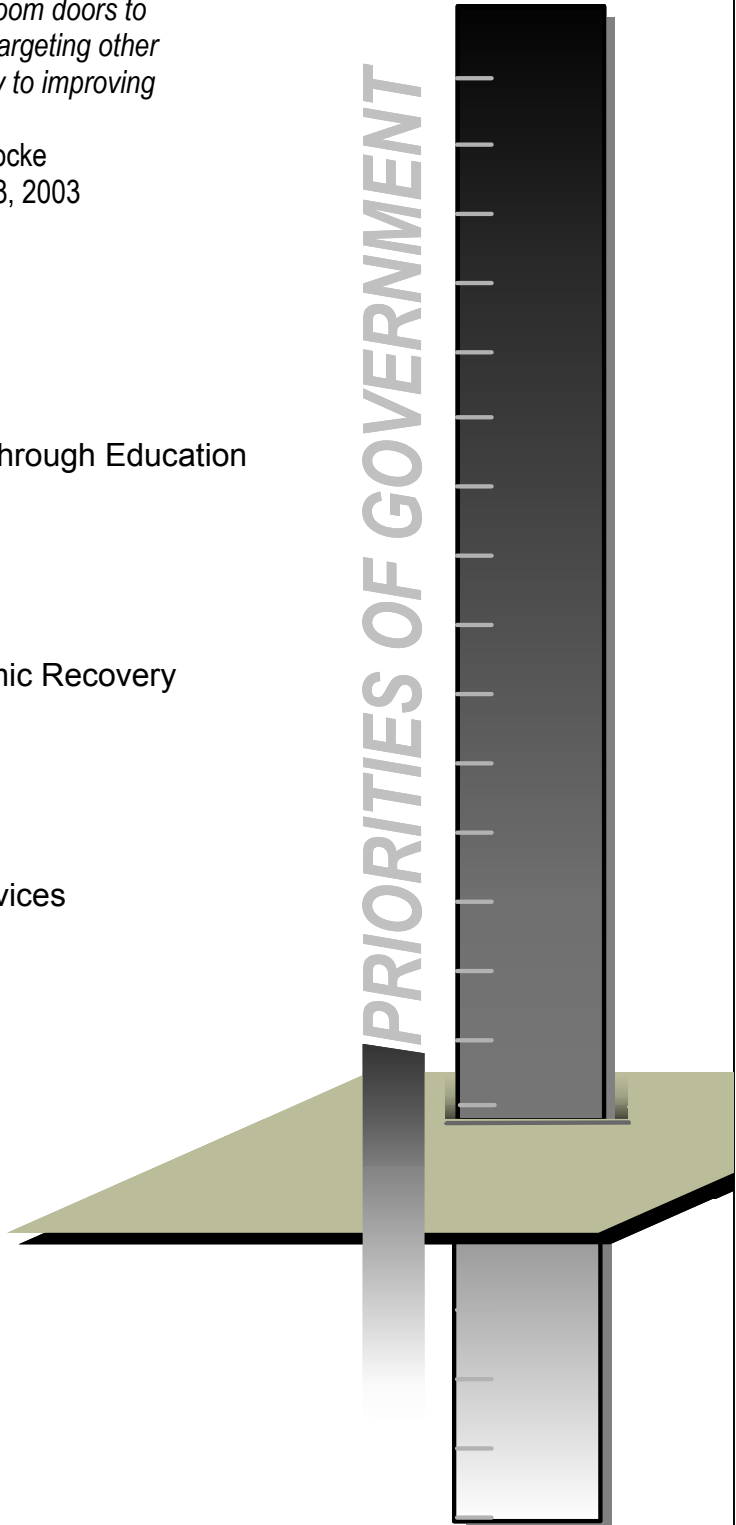
✓ **Economy**

Speeding the Economic Recovery

✓ **Healthcare**

Providing Critical Services

PRIORITIES OF GOVERNMENT



Setting Priorities, Getting Results

Governor's Priorities for Funding Results

- ✓ Respond to the demand for higher education
 - ✓ Create a strong economy, with skilled workers and family-wage jobs
 - ✓ Increase access to quality, affordable health care
 - ✓ Sustain a disciplined budget based on Priorities of Government approach
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The Governor's Proposal:

Maintains education as our highest priority. Provides \$45 million in new General Fund spending for education. Enrollment at state colleges and universities is increased, especially in high-demand fields. The value of Promise Scholarships is doubled. K-12 learning assistance and testing in public schools is improved.

Capital budget creates more jobs. Separate from the General Fund budget, the Governor's supplemental Capital Budget uses bonds to finance an additional \$168 million in new construction to provide new classroom and research facilities at higher education institutions, improve the state's water supply and start a much-needed new prison.

Maintains Washington's competitive edge. The Governor's commitment to economic development continues. His budget plan foregoes potential new revenue, choosing instead to continue \$74 million worth of business tax incentives to help keep Washington's competitive edge in technology research and development, and to attract more manufacturing jobs to rural areas.

Provides more doctors and nurses in rural areas. Incentives are provided to increase the numbers of health care professionals in rural areas. Medicaid reimbursements rates for childbirth services are increased to help family doctors continue to serve low-income patients, especially in rural areas. The impact of pending health care premiums for optional Medicaid health care for children is reduced.

Pays unavoidable bills. Most of the supplemental General Fund budget pays for unavoidable costs driven by unanticipated increases in public school enrollment, state prison population and people in need of medical assistance, as well as bills for wildfires and floods, the cost of the voter-mandated home-care workers contract and other mandatory expenses.

Provides a responsible spending plan. The combination of reserves in the underlying biennial budget and new revenue generated by the improving economy finances the supplemental budget and still leaves \$172 million in reserve for emergencies.

Creating Prosperity Through Education

Governor's Priorities for Education

- ✓ Increase state-funded enrollment in higher education, especially in high-demand fields
 - ✓ Build higher education capital projects, creating jobs now and in the future
 - ✓ In public schools, help struggling students and ensure fair and accurate K-12 student testing
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The Governor's Proposal:

Increases state-funded higher education enrollment by as many as 5,200 full-time students, providing the access that citizens seek, and the well-educated, well-trained graduates that Washington businesses need to remain competitive. Funding is provided for as many as 2,727 students in high-demand fields such as health care, computer science, math and special-education instruction. The number of state-funded general enrollments also is expanded by 2,500.

\$30 million GF-State

Provides needed construction projects at state colleges and universities. Funding starts or finishes important construction projects that improve instruction capabilities in the higher education system. *\$92 million Capital Budget*

Delivers on the promise made to more than 7,000 high-achieving students per year by doubling the grant award levels for Promise Scholarship recipients to 80 percent of the cost of community college tuition. Promise Scholarships reward students from low- and middle-income families who graduate in the top 15 percent of their high school class. High-achieving students across the state earn two-year Promise Scholarships, which may be used at any accredited college or university in Washington. *\$6.7 million GF-State*

Provides additional K-12 funding to finance increased numbers of children enrolling in Washington public schools. This school year brought 1,547 more students than anticipated. In the 2004-05 school year, enrollment is estimated to rise by an additional 3,000 students. The additional funding also covers rising student transportation costs. *\$46.7 million GF-State*

Helps underachieving K-12 students who need more assistance in reading, mathematics and writing. The Learning Assistance Program for at-risk students is improved, and data-driven programs monitor school performance. Technical help is provided to schools that fail to meet academic improvement goals. *\$7.1 million GF-State*

Makes sure WASL tests are fair and equitable. Starting in 2008, requirements for high school graduation include passing the Washington Assessment of Student Learning (WASL) in reading, writing and math, with science added in 2010. Funding ensures that the WASL conforms to state expectations. Opportunities to retake tests are provided, along with alternative ways for students to demonstrate mastery of state standards. Starting in 8th grade, students who don't meet standards on the WASL are the focus of plans outlining what they need to accomplish to graduate from high school. *\$1.2 million GF-State*

Providing Critical Services to the Most Vulnerable

Governor's Priorities for Human Services

- ✓ Maintain an effective health and social services safety net
 - ✓ Continue to adequately support programs that protect the most vulnerable
 - ✓ Invest in targeted initiatives to make programs work better
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The Governor's Proposal:

Provides more doctors and nurses in rural areas. The Health Professional Loan Repayment Program triples the number of health care providers – to 50 – who get help paying off education loans on condition they practice in under-served areas. Additional support to help retired doctors pay malpractice insurance triples – to 210 – the number of physicians who volunteer their professional services in rural areas. The Nurse Corps in public schools is expanded by up to 25 part-time nurses to care for under-served children in rural areas. Funding also is provided to complete telecommunications improvements that help rural hospitals diagnose and treat patients. *\$3.7 million Health Services Account*

Increases Medicaid reimbursement payments to doctors for childbirth services, helping family doctors continue to serve low-income patients, especially in under-served rural areas. The proposal takes advantage of a provision in the recently enacted federal Medicare Prescription Drug bill that allows an increase in federal allotments of Disproportionate Share Hospital payments. *\$10 million Health Services Account, \$10 million federal*

Reduces the impact of pending health care premiums that will be charged to parents of children receiving state-sponsored, optional Medicaid health coverage. The premiums take effect in January. The Governor's proposal reduces scheduled premiums to \$10 or \$15 per child per month, depending on family income, and abolishes premiums for families with incomes up to 150 percent of the federal poverty level, which for a family of three is \$1,900 a month. *\$23.4 million Health Services Account*

Shares new federal assistance with public hospital districts to improve community-based health services. *\$6.6 million Health Services Account*

Creates the Patient Compensation Fund in the Office of the Insurance Commissioner, providing seed money to make malpractice insurance more affordable and more available to health care professionals. The fund will help cover settlements in excess of mandated levels of insurance coverage for providers who participate in the program. *\$10 million Health Services Account*

Funds the home-care workers contract, if approved by the Legislature. Under terms of a collective bargaining process mandated by a voter-approved initiative, home-care workers receive a 50-cent per hour wage increase, workers compensation benefits and limited health care benefits. *\$24 million GF-State*

Speeding the Economic Recovery

Governor's Priorities for the Economy

- ✓ Ensure that Washington competes in the Innovation Economy
 - ✓ Attract business to rural Washington and keep the commitment to agriculture
 - ✓ Encourage research and development that helps businesses thrive
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The Governor's Proposal:

Encourages research and development in Washington. Tax incentives for research in specific technology areas, and for building research facilities are extended. The incentives include sales tax deferrals and exemptions for qualified investments in research and development facilities, and a business-and-occupation tax credit for qualified research and development expenses. Qualified industries include advanced computing, advanced materials, biotechnology, electronic device technology and environmental technology. Accountability tools to measure the long-term effectiveness of incentives are provided. *Reduces revenue \$58.9 million*

Encourages investment in rural Washington. The sales tax exemption on construction of manufacturing facilities in rural areas is continued, as is the business-and-occupation tax jobs-credit. The B&O tax credit for help-desk enterprises in rural areas also is continued. *Reduces revenue \$15.4 million*

Helps local governments attract and expand new businesses with investments in sewers, roads and other infrastructure. Local governments willing to invest in their own infrastructure are allowed to keep some of the state taxes generated when businesses take advantage of these improvements and locate or expand in local communities. State taxes retained by local governments are used to pay bond debt on infrastructure improvements. *\$10 million in 2005-07 Biennium, but no cost in current biennium*

Continues agriculture promotion efforts that support the state's rural economy. The program called "From the Heart of Washington," which provides advertising and in-store labeling for Washington-produced agriculture products, is maintained for the second year of the current biennium. Funding for a state trade representative for China and Southeast Asia is continued for the second year. Funding is increased for the Small Farm and Direct Marketing program. *\$380,000 GF-State*

Focusing on Public Safety Priorities

Governor's Priorities for Public Safety

- ✓ Prevent crime, accidents, injuries and property damage from happening
 - ✓ Be prepared for natural disasters or the threat of terrorism
 - ✓ Keep the most dangerous criminals behind bars
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The Governor's Proposal:

Pays state costs for fighting wildfires last summer, and responding to fall floods. *\$31 million GF-State, \$736,000 other state funds*

Keeps dangerous offenders behind bars by paying for a 5.7 percent increase – an average of 950 inmates – in the latest forecast for the state prison population. The actual number of high-risk offenders needing supervision after release also is funded. *\$81 million GF-State*

Supports homeland security with new federal funding for first responders, an emergency communication system that works across all jurisdictions, critical infrastructure assessment, citizen preparation and terrorism prevention. Eighty percent of these funds go to local governments. *\$60.8 million federal*

Cuts prison and supervision costs by reducing the average number of drug offenders in prison by about 500, and the number of low-risk offenders under supervision by about 2,000. This is accomplished by applying a new drug-sentencing grid to those previously convicted, and by eliminating state supervision of most low-risk, non-felony offenders who have completed jail sentences. Strengthens supervision of offenders required to get drug treatment as part of their sentence. *Saves \$18.1 million GF-State*

Provides secure treatment for sex offenders at the new Special Commitment Center on McNeil Island, and in community settings when courts order their release. *\$3.1 million GF-State*

Takes more drunk drivers off the road with 60 new breath test instruments and 55 video cameras in State Patrol vehicles. Funding comes from drivers convicted of driving while intoxicated, and from a federal grant. Enforcement of ignition interlock requirements for drunk drivers is strengthened. *\$948,000 State Patrol Highway Account, \$73,000 Highway Safety Fund*

Increases truck safety inspections to ensure drivers are qualified and drug-free, loads are secure and other standards are met. The State Patrol inspects for safety rule compliance before accidents happen and steps up inspections of trucks entering Washington from Canada. *\$873,000 State Patrol Highway Account*

Helps solve violent crimes by hiring two additional investigator-analysts for the Attorney General's Homicide Investigation Tracking System (HITS). *\$187,000 Public Safety and Education Account*

Improving State Government Services

Governor's Priorities for Government

- ✓ Make government more efficient and effective
 - ✓ Improve consumer protection
 - ✓ Improve accuracy and reliability of voting systems
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The Governor's Proposal:

Makes it easier to renew driver licenses. Funding implements on-line and mail-in renewal of driver licenses. Long lines and processing costs are cut, making license renewal more convenient for motorists. *\$495,000 Highway Safety Fund*

Improves the accuracy and reliability of Washington's voting system by implementing provisions of the Help America Vote Act passed by Congress in 2002. Punch card voting machines are replaced and a statewide voter registration database is developed. Voting is easier for disabled citizens. *\$3.1 million State Election Account, \$10 million Federal Election Account*

Better protects insurance consumers. Funding is provided to the state Insurance Commissioner to hire additional attorneys to combat increasing violations of the insurance code, as well as a rising number of unlicensed companies selling illegal health insurance plans. *\$139,000 Insurance Commissioner's Regulatory Account*

Reduces health care premiums for both the state and its employees. Surplus funds in the Public Employees Benefits Board (PEBB) Fund – which is supported by contributions from state government and state employees – are used to hold down health care premium costs. Average employee monthly contributions rise to \$89, an increase of \$9 instead of \$28. The state's monthly contribution rises to \$583 per employee, an increase of \$77 per employee, instead of the \$87 increase that had been expected. *\$24.1 million Pebb Fund balance*

Protecting Water for People, Fish & Agriculture

Governor's Priorities for Natural Resources

- ✓ Provide clean water for people, fish and agriculture
 - ✓ Restore endangered salmon populations
 - ✓ Limit and clean up toxic chemicals in the environment
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The Governor's Proposal:

Continues water law reform by discouraging practices that waste water, boosting confidence in existing water rights and simplifying the way water rights are administered by the state. Prospects for achieving and protecting proper in-stream flows are improved. The foundation is laid for additional surface and ground water storage. Water conveyance, irrigation efficiency and wastewater reclamation is improved. *\$3 million GF-State, \$15.9 million Capital Budget*

Begins to implement water-related legal settlements involving the Department of Ecology. Settlements increase water conservation measures in the Sunnyside Valley Irrigation District and purchase water to offset additional water use by the cities of Richland, Kennewick, Pasco, and West Richland. *\$3.3 million Capital Budget*

Strengthens efforts to protect natural resources. Grants are provided to improve Puget Sound water quality in Hood Canal. Benchmarks are established to measure the state's progress in meeting sustainability goals. Fish tissue monitoring for mercury and other chemicals is expanded at 20 additional lakes a year. Criteria are established to identify the state's most serious toxic chemical problems, and plans are being developed to eliminate them. The Biodiversity Council gets support to develop a strategy for preserving the state's wide range of natural habitats. *\$475,000 GF-State, \$561,000 other state funds*

Permits recreational sockeye fishing on Lake Washington and an additional recreational salmon fishery in Eastern Washington. The Department of Fish and Wildlife must increase monitoring and samplings at the fisheries to ensure fish listed under the Endangered Species Act are protected. *\$150,000 GF-State*

Meeting Critical Building Needs

Governor's Priorities for the Supplemental Capital Budget

- ✓ Finance facilities for higher education
 - ✓ Finance projects that cannot wait for the next biennium
 - ✓ Choose projects that are consistent with current policy
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The Governor's Proposal:

Provides construction funding for four-year universities, including \$54.2 million in previously authorized Gardner-Evans construction bonds, to start or finish several projects in the state university system. Projects include:

- University of Washington – Modernize communications infrastructure, equip Bioengineering building, renovate Bagley Hall, renovate Guthrie Hall, create infectious-disease research laboratory and complete phase II work on the Emergency Power Expansion project. *\$29.6 million*
- Washington State University – Begin work on academic center in Spokane, improve communications infrastructure and start wastewater reclamation project. *\$16.1 million*
- Regional universities – Renovate Bond Hall at Western Washington University, *\$4.9 million*; Senior Hall Phase II construction at Eastern Washington University, *\$8.1 million*; Improve Central Washington University's Des Moines Higher Education Center, *\$2 million*; Renovate Lab I first floor at The Evergreen State College, *\$3.1 million*

Supplies dollars for community college projects. Directs \$35 million in construction bonds to finance:

- A new instruction building at Grays Harbor College, *\$19.5 million*; a welding and auto collision repair building at Bellingham Technical College, *\$14.4 million*; and design work for a science building replacement at Peninsula College, *\$1.1 million*

Keeps prisons secure and efficient. Design and site development is funded for a new, expandable 768-bed state prison in Franklin County. *\$45.6 million Capital Budget*

Makes better use of water resources. Funding lays groundwork for water storage facilities, irrigation and conveyance projects, and wastewater reclamation. *\$15.3 million Capital Budget*

Forges ahead with transportation improvements by adjusting to a state Supreme Court ruling upholding Initiative 776, which reduced state transportation revenue by \$43.3 million. Existing fund balances and additional federal funds are used to keep the projects on schedule.

Provides more funding to ensure clean drinking water. Increased federal dollars are used for to finance projects to improve drinking water systems around the state. *\$18.1 million federal*